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MEMORANDUM

SUBJECT : Portuguese Political Situation

1. Portugal has witnessed a pronounced shift back toward the political center since government forces crushed a leftist military rebellion last November. The high-flown armed forces rhetoric about "revolution" and achieving socialism, which marked the first 18 months following the overthrow of the Caetano government, has now been replaced by references to political pluralism and the need to achieve economic stability. The moderate military officers now in control in Lisbon have reaffirmed Portugal's ties with Western Europe and its role in NATO.

2. An agreement signed last month between the military and the political parties set Portugal on the road toward parliamentary democracy. When the agreement comes into force this summer, the day-to-day running of the government will revert to civilian hands. The armed forces will retain important leverage, however, through its role as guarantor of the constitution and of government institutions.

3. The military is also expected to participate directly in the government through the office of the president and the Revolutionary Council, which will advise and instruct him. The pact does not specify that the president be a military officer, but there is general agreement between the parties and the armed forces that he will be. The leading contenders for the presidency at this time appear to be Prime Minister Azevedo, Army Chief of Staff Eanes, and former Vice Air Chief of Staff Galvao de Melo.

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4. General Eanes--who many believe is the power behind the scenes in Lisbon--probably could be president for the asking, but he may prefer to retain his present position, which is less prestigious but potentially more powerful. Prime Minister Azevedo was an early presidential favorite, but his questionable health and the fact that his branch of service is navy rather than army may work against his candidacy. Galvao de Melo would be the candidate of the right and at present is given only an outside chance.

5. Parliamentary elections are scheduled for April 25, but the new government will not be appointed until after the June presidential vote. The parties contesting the legislative elections are the Socialists, the centrist Popular Democratic Party, the center-right Social Democratic Center, the Communists, and ten smaller parties and splinter groups, mostly of the far left.

6. The Socialists, headed by Mario Soares, led all parties in the constituent assembly elections last spring and are hoping to achieve a near majority this time in order to form a government on their own. The number two man in the party, Finance Minister Salgado Zenha, has made a major contribution to the party's success through his organizational efforts. The Popular Democrats are counting on a broadly based constituency in the populous north to gain a plurality, while the Social Democratic Center seeks to capitalize on its present opposition status and the burgeoning conservative sentiment in the country to make a strong improvement on its meager 8 percent showing in the last election.

7. Despite the Socialists' denials that they will participate in a coalition government, the election is likely to force them to accept cooperation with one or both parties on their right. Recent polls appear to favor the Popular Democrats and the Social Democratic Center, which together could capture 50-60 percent of the vote. The Socialists may receive around 30 percent and the Communists, who are expected to be the big losers, could see their vote decline from 13 percent in the last election to 5-8 percent.

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8. Even though the Communists are not expected to do well at the polls, they retain considerable strength in the labor movement. The Communists and other extremist groups may well try to disrupt the elections. Their labor strength provides a large pool to draw on, and Portugal's severe economic problems provide many issues for the Communists to exploit in organizing popular protests.

9. The government that is to be elected will face some difficult decisions in its effort to move toward economic recovery, and the Communists will be watching for every opportunity to disrupt the process. Should the elected government prove unable to deal with this situation, those military officers who already hold political parties in low regard are likely to press for increased armed forces intervention in the government. From such conditions a new Portuguese strongman might well arise.

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